TRUSTS & ESTATES
ESTATE PLANNING & ADMINISTRATION
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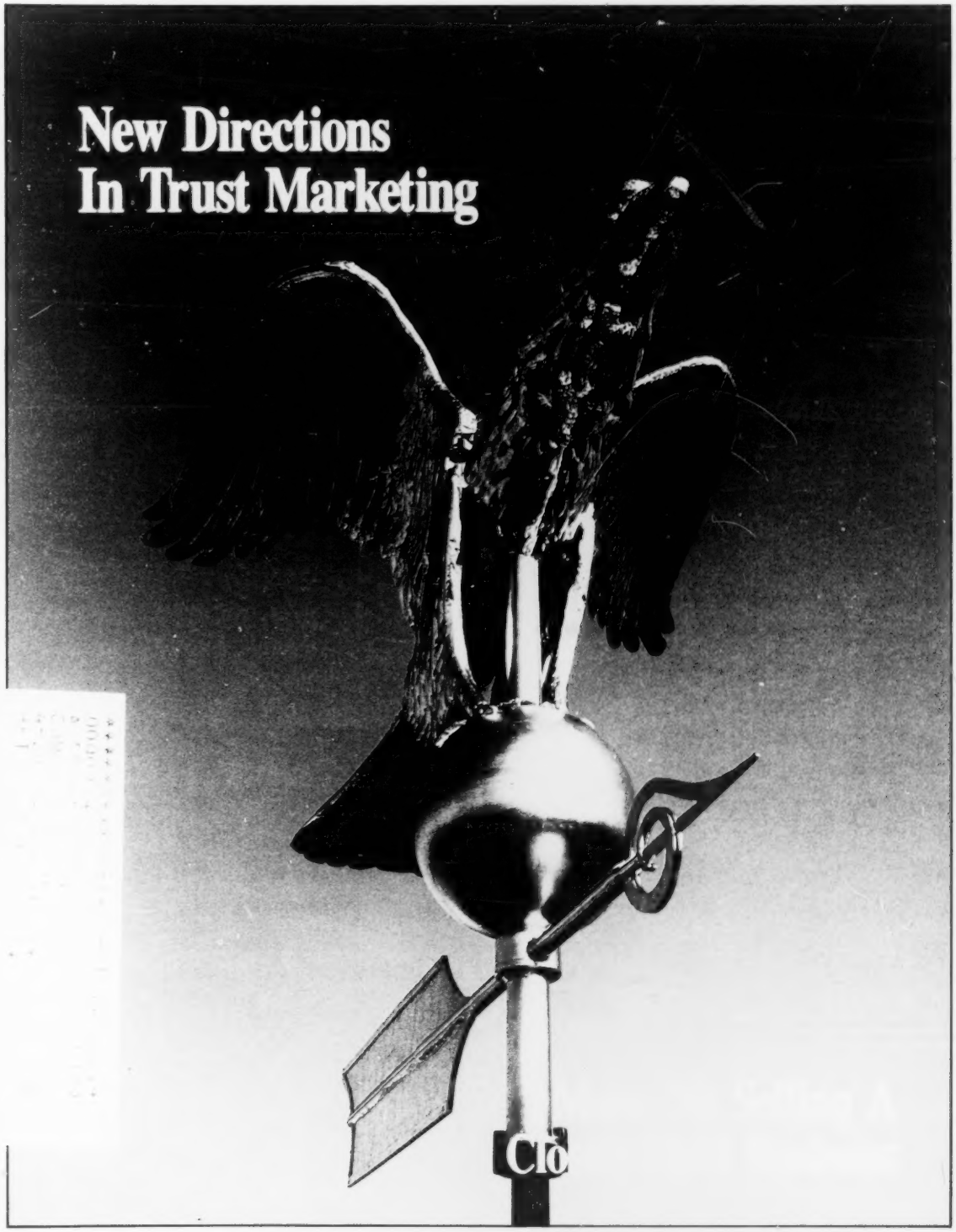
New Directions In Trust Marketing



TRUSTS & ESTATES®

Volume 129, No. 10 | Estate Planning and Administration Since 1904 | OCTOBER 1990

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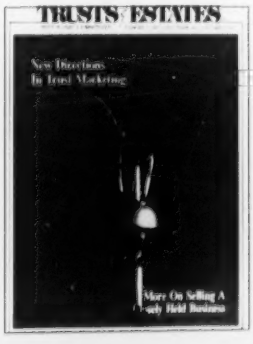

COVER

Demographics show that the expanding affluent market is opening up many new directions for creative trust marketing. Photo courtesy of Figgie International, Willoughby, OH.

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Commentary

Baby Boomers Have Created Wealth Of Opportunities For Planners

If you were in the trusts and estates business some 45 years ago and if you were very perceptive, you might have glimpsed the pot-of-gold at the end of the rainbow called "the baby boom," because that is when the tremendous growth in the affluent market and the potential which it holds for our business had its inception.

However, some back then were not so insightful. In fact, according to a January 1945 TRUSTS & ESTATES article by Towner Phelan, vice president of St. Louis Union Trust Company, pessimists believed "...when present fortunes have been redistributed through taxation, inheritance and losses, there will be no succeeding crop of new fortunes to replace them, and the trust institution, as the manager and conservator of invested wealth, is dying and on the way out."

We know differently today. We know that the flurry of births which began that year created a group of people that now has reached it prime earning age, creating its own wealth pool and its own set of opportunities for trusts and estates practitioners.

We start this month by characterizing this growing affluent market. John J. DeIlarco, senior vice president and Kari Denner, research assistant of PSI in Tampa, Fla. discuss the changing demographics, where the money is coming from, where it is being invested, and what products and services this affluent group is using. They also discuss overall trust and investment management trends.

Following this introduction, we look at two new alternatives for marketing trust services. Robert G. Boehmer, assistant professor of legal studies at the University of Georgia discusses how to market to attorneys and CPAs. And, Bradley Johnson, vice president of Union Trust Company in New Haven, Conn., looks at the commercial lender as a forgotten source of personal trust business.

We also offer two case studies this month, the first one by Edwin B. Van Lynn, senior vice president and trust officer of United National Bank-North in Wheeling, W.Va., decribes how mutual funds helped their marketing efforts. The second case study is by Don Guice, senior vice president and trust officer of First City, Texas in Houston, and it details how improved technology helped them secure billions of dollars in assets previously held by the State of Texas. □

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BPA

Examing Dramatic Growth In The Affluent Market

Dynamic changes in the affluent market affect product use and alternative investment strategies of expanding upscale clientele

By **JOHN J. DeMARCO**
Senior Vice President, PSI
and
KARI DENNER
Research Assistant, PSI

The affluent market is much more dynamic than other markets. Upscale consumers tend to be more aware of changing economic conditions, product/service offerings and alternative investment strategies. They tend to be among the first to change their use of products, services and providers. Because wealthy consumers provide such a large proportion of a financial institution's profits, identifying important trends in the affluent market and anticipating changes in affluent consumers' behavior and preferences is crucial.

In this article, we present information from PSI's continuing studies of the affluent market. About 2,000 affluent households were surveyed in 1983, 1985, 1987 and 1989. The comprehensive surveys detailed products and services used, balances and fees paid, planned product use, financial and investment institutions patronized, delivery preferences, financial and investment goals, and financial behavior.

Specifically, we examine the dramatic growth of the market as well as the changing nature of the affluent consumer. We then explore the implications of changes in their product use and changes in their financial preferences. Finally, we consider the personal trust business as a subset of a larger rapidly growing business — investment management.

One of the most important trends is simply the numbers of affluent consumers. Growth of the affluent market has been dramatic over the past six years. Using one definition of affluence, we find that in 1983, 9 percent of the 83.9 million U.S. households had attained affluent status. This proportion increased to 19.3 percent of the 92 million households in 1989. The total number of affluent households more than doubled in the past six years, from 7.4 million to 17.8 million.

No matter how affluence or wealth is defined, the affluent market has more than doubled (see Exhibit 1). Comparing similar benchmarks of affluence in 1983 and 1989, the chart illustrates the fact that not only is the affluent market as a whole growing at a consistently high rate, the rate of growth increases as we consider wealthier market seg-

EXHIBIT 1

No matter how you define affluence or wealth, the market has more than doubled during the 80s.

	Households*	Percent	% Increase (1983-1989)
1983 ($40,000+ Annual Income)	9.2 MM	10.8%	
1989 ($50,000+ Annual Income)	20.0 MM	21.8%	117%
1983 ($50,000+ Annual Income **or** $200,000+ Net Worth)	7.4 MM	9.0%	
1989 ($60,000+ Annual Income **or** $250,000+ Net Worth)	17.8 MM	19.8%	140%
1983 ($100,000+ Annual Income)	.73 MM	0.86%	
1989 ($120,000+ Annual Income)	2.9 MM	3.1%	296%
1983 ($1,000,000+ Net Worth)	.31 MM	0.36%	
1989 ($1,200,000+ Net Worth)	1.2 MM	1.3%	285%

Interpretive Note: Income and Net Worth categories are adjusted to account for inflation.
*Results are based on total number of U.S. Households in 1983 of 83.9 million and in 1989 of 92.0 million.

EXHIBIT 2

Contributions of Affluent and Non-Affluent Households

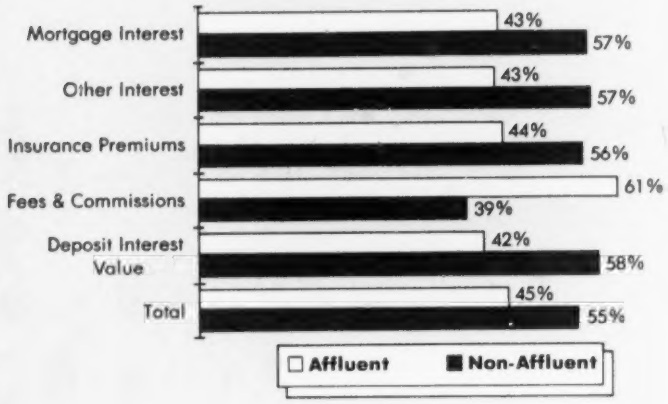


EXHIBIT 3

Demographic Characteristics

	1983	1989
Total Number of U.S. Households	83.9 million	92.0 million
Size of the Affluent Market	7.4 million	17.8 million
Percent of Total	9%	19.3%
Average Age	57	49
Average Total Household Income	$82,000	$103,000
Average Net Worth (not including the home)	$520,000	$556,000
Characteristic:		
Married Couples	92%	81%
With Dependent Children	46	49
Retired	23	18
Self-Employed	32	23
Occupation:		
Accountant	2	4
Attorney	6	3
Corporate Executive	21	6
Dentist/Physician	4	2
Business Owner	13	10
Middle Management	13	18
Sales	5	6
Educator	5	7
Other	31	44
Households with Two Employed	32	46
Region:		
Northeast	25	23
South	33	34
North Central	25	22
West	15	22

ments. As the 1980s were low inflation years, and both high-end and low-end affluent groups show sizable increases, the growth of the affluent market cannot be attributed to inflationary factors. Rather, growth in the size of the affluent market is due to a combination of four factors:

- The large "baby boom" age cohort (over 33 million households) reaching peak earning ages of 40-55;
- Many baby boomers are better educated and trained than their predecessors, thus having higher incomes;
- Increases in the number of two income households; and
- Macroeconomic trends which are resulting in greater concentrations of wealth at the upper end.

An implication of growth is that most markets now have a "critical mass" of affluent consumers which makes aggressive growth-oriented affluent programs viable in almost all financial institutions of any size. This enhances competition and requires, at the very least, defensive strategies to protect an organization's current affluent customer base. The affluent market's contribution to revenues and profit continues to grow as the size of the market grows. By PSI's estimates, the affluent market constitutes 19 percent of all households and provides 45 percent of aggregate financial services revenue (see Exhibit 2).

Changing Demographics

The affluent market is indeed changing (see Exhibit 3). This is apparent by looking at the demographic trends that have occurred during the past six years.

Consumers are achieving affluence at younger ages — the average age of affluent consumers has dropped from 57 in 1983 to 49 by 1989. However, we are not talking about millions of "instant millionaires." Newly affluent consumers tend to crowd the less wealthy segments of the affluent market. There is another important demographic trend that is key when developing marketing programs — the continuing trend towards double-income households. Between 1983 and 1989, those households in which the primary earner brings in 80 percent or more of the total household income dropped from 65 percent to 40 percent. Consequently, male and female household heads are sharing the financial decision-making process. Six years ago, slightly more than one-third of affluent households said they shared the financial decision making, compared to 50 percent in 1989. Also,

EXHIBIT 4

Household Assets

	1983	1989
Distribution of Assets		
Deposit Accounts	11%	18%
Investments	30	25
Home Equity	34	33
Investment Real Estate	15	18
Closely Held Businesses	10	6
*Insurance holdings not measured in 1983.		
	Percent Who Have Average for Asset Holders	
Cash (Checking, Savings, MMDAs)	95% $29,700	98% $41,600
Insured Money Market	54% $36,500	65% $31,600
Money Market Funds	58% $35,000	28% $42,800
Balance in Full-Service Asset Management Accounts	NA	29% $56,000
Balance in Discount Brokerage Asset Management Accounts	NA	8% $44,300
Balance in Financial Instituion Asset Management Accounts	NA	23% $37,600
Stock/Bond Mutual Funds	41% $44,100	43% $70,700
Options/Futures	13% $28,900	4% $45,000
Stocks	78% $118,000	56% $74,200
Metals	18% $12,000	7% $21,600
Municipal Bonds	33% $75,600	13% $111,000
CDs	32% $25,800	51% $62,100
U.S. Government Securities	NA	23% $50,300
IRAs	69% $36,000	66% $30,200
Keogh Accounts	NA	8% $47,000
401 (K) Plans	NA	35% $38,400
Cash Value-Life Insurance	NA	76% $77,000
Cash Value-Annuities	NA	17% $50,000
Closely Held Businesses	27% $184,200	10% $277,000
Market Value of Investment Real Estate	51% $160,000	36% $232,000
Equity in Principal Residence	88% $203,500	94% $159,400
Household Net Worth (Not Including Principal Residence)	**$520,000**	**$556,000**

nearly one-third of affluent households had two people employed in 1983; this figure is almost half in 1989. The implication of this shift towards a two person decision-making household should mean a new challenge for financial institutions in their marketing efforts. The approach will become more complex as two decision makers must be targeted.

There have not been significant changes in the areas of employment and occupation during the six-year period analyzed. Segmenting the affluent market by occupation alone does not appear to be adequate when determining target groups. Indeed, no dominant occupation emerges. However, there have been some shifts within the categories that may serve as a benchmark. One of the more dramatic changes is the fact that those describing themselves as self-employed has dipped slightly from nearly one-third to less than one-fourth of the affluent market. Even more pronounced is the fact that just 6 percent of the affluent market consisted of corporate executives in 1989, compared with 21 percent in 1983. Currently, the highest concentration of occupations is in the middle management and business owners categories. The proportion of middle managers has grown 5 percent to 18 percent in 1989, but the next largest segment, business owners, dropped from 13 percent to 10 percent.

The composition of the affluent market has changed substantially due to the influx of 10.4 million new affluent households, resulting in a lower average age, lower net worth, and in some cases, lower levels of product use. One of the more obvious implications of this trend is an emphasis on products and bank programs that cater to this young, less wealthy segment of the affluent market. Mutual funds and "personal banking programs" (tiered private banking programs which include a "less intensive" level of service for young up-and-comers) are but two examples.

Where The Money Comes From

Not only is the affluent market itself growing, but the average income of affluent households has continued to grow as well from $82,000 in 1983 to $103,000 in 1989.

Salaries and Fees Affluent households received their income from a variety of sources, the largest from salaries and fees. The proportion of those receiving income from salaries and fees increased slightly from 83 percent to 86 percent. Also, during the six-year period, the average amount received by

affluent households increased from $55,200 to $63,000.

Interest Most affluent households receive interest income (88.1 percent), although 6.7 percent more received it in 1983. In addition, the average amount of income received from interest has remained relatively constant, at $9,300. Those receiving dividend income is quite similar, as those affluent households receiving dividend income has dropped from 86.3 percent to 75.2 percent, although the average income dropped from $9,200 to $7,800.

Commissions and Bonuses Those receiving commissions and bonuses has decreased, from 36.2 percent to 29 percent, and the average amount has dipped slightly from $22,900 to $22,000.

Real Estate Income While the proportion of those receiving real estate income has dropped sharply from one-third to just over one-fifth, the average dollars received has increased from $12,700 to $14,400.

Royalties and Trusts Slighty more affluent consumers receive income from royalties and trusts; approximately 6 percent of affluent households received income from these sources. In addition, the average income received from both of these sources increased substantially from 1987 to 1989. Trust income rose 53 percent from $22,800 to $34,800, and income from royalties more than doubled from $6,400 to $15,200.

Examining where affluent consumers keep their money provides valuable insights into future financial behavior. Generally, there has been a shift since 1987 away from individual stocks and bonds. Affluent households are becoming more attracted to "safer" investments such as certificates of deposit, mutual funds and asset management accounts. These attitudes can be attributed to both a slowing economy, a lack in confidence in a resurgence of the economy, as well as a pronounced number of affluent baby boomers who are beginning to take a look at what their future needs may be as they look forward to retirement years.

The average net worth (see Exhibit 4) of affluent households has not kept pace with inflation during the past six years, increasing only 6.9 percent. Average net worth (excluding principal residence) for affluent households was $520,000 in 1983; in 1989, the average grew to $556,000. While more of the affluent market has equity in their principal residence, the average amount of equity they have has fallen about $44,000 over the past six years. This, of course, is explained by the number of newcomers obtaining affluent status at the low end, and the relatively younger age of the affluent market as a whole. They have not yet had time to build up their assets.

Where They Keep Their Money

The value of some assets has increased considerably. Examining those assets that have grown the most illustrates the point earlier that the affluent market as a whole has become more conservative in their financial holdings.

Deposit Accounts One example of increasing conservatism is that deposits in demand accounts have increased 40 percent during the past six years, having an average balance of $41,600 in 1989. Use of checking and savings accounts has remained fairly stable over time; yet, we do see a steady increase in the number of those affluent consumers using them. And while insured money market accounts are becoming more popular (65 percent compared to 53.6 percent in 1983), those interested in money market funds has dropped by almost twenty percent.

Asset Management Accounts There has been increased interest in discount brokerage asset management accounts and financial institution asset management accounts, although the value of these accounts has decreased slightly. In 1989, less than one in ten affluent households had asset management accounts with discount brokerages, with average balances of $44,300. In comparison, nearly one-fourth of affluent households had average balances of $37,600 in their asset management accounts at financial institutions.

Mutual Funds Those affluent households participating in stock/bond mutual funds saw their value grow substantially during the past six years. In 1983, the average was $44,100; in 1989, it escalated to $70,700, which reflects a 60 percent increase. Even so, the proportion of affluent households investing in mutual funds remained relatively constant.

CDs Reflecting the trend toward conservatism, the popularity of CDs has increased steadily over the past six years. Nearly one-third of the affluent market had CDs in 1983, compared to more than half in 1989. The average balance of these investments has more than doubled in 1989, to $62,100.

Personal Trust Accounts From 1987 to 1989, the proportion of affluent consumers holding trust accounts has increased from 18 percent to 26 percent. The average balance of these trusts has decreased in the same period of time, however. Those affluent households holding IRAs has remained constant, despite the restrictions placed on them in 1986. Keogh Accounts, 401Ks and annuities are not only invested in by more affluent households, but the average balances of these assets have increased as well.

Some asset holdings are not quite as popular in 1989 as they were in 1983, but the average value of these assets has grown considerably. Options and futures, precious metals and municipal bonds are some examples. This is especially true for those with an interest in a closely held business; the value of these investments doubled from $184,200 to $277,000. Similarly, those holding real estate investments dropped from one-half to just over one-third of the affluent market, but the average value of these holdings has increased.

Highlights of Services

Banking Products and Services The use of checking and savings accounts has remained stable. Use of CDs, as discussed in the previous section, has increased substantially. Affluent consumers with home equity loans more than doubled to 19 percent from 1987 to 1989. This is also reflected in an increase of interest payments affluent consumers are making on both home equity loans and second mortgages. Also, the proportion of affluent consumers using an unsecured credit line doubled (18 percent to 32 percent) in the same time period. There also seems to be a steady increase in the number of affluent consumers obtaining first mortgages, although those making mortgage interest payments has remained constant since 1983. This is not surprising considering the younger composition of the affluent market.

Advice and Information Services Interestingly, tax or financial planning and advice has decreased during the past six years. In 1983, slightly more than one-third of the affluent market used these services, but that proportion has been slashed in half to 15 percent in 1989. Use of tax preparation, however, has stayed relatively constant at 58 percent in 1989.

Investment Products

Brokerage and Asset Management Accounts The use of asset management accounts has almost doubled in the past six years, from 23 percent to 44 percent. While the use of these services has

increased, more and more affluent consumers are using discount brokerage firms as opposed to full-service brokerage firms. In 1983, 19 percent used discount brokerage services, compared to 31 percent in 1989. These trends are also reflected in the perception of discount brokerage services, as it has received increasingly positive ratings in convenience, advice, service and personnel.

On the other hand, the proportion using full-service brokerage services has decreased steadily during the same period. In 1983, 68 percent used these services, compared with 40 percent in 1989. Overall, 58 percent of the affluent market believes full-service brokers provide high quality service, but in 1983, 72 percent felt this way.

Mutual Funds While the proportion of affluent consumers using mutual funds has remained at the same level during the past six years, patronage of mutual fund companies has climbed steadily. This trend reflects the positive image they have in the minds of affluent consumers in the categories described above: convenience, advice, service and personnel.

Retirement Accounts The use of retirement accounts has dropped slightly over the past few years, most likely due to saturation of the market and the restrictions placed upon the balances of these accounts due to tax reform.

Financial Attitudes and Practices The most noticeable trend over the past six years has been an increasing aversion to investment risk. We found that affluent consumers are more cautious now about making investments than they were in 1983. In 1983, 49 percent of the affluent market felt comfortable about using borrowed money to make investments, while only 24 percent felt this way in 1989. Only half of the affluent market indicate they are willing to take risks when making investments today, compared to 72 percent in 1983. This theme is prevailing throughout our findings. The high-flying atmosphere of the 1980s has begun to dissipate, and there seems to be more interest in a back to basics approach to handling finances. The analysis of asset shifts earlier is reflective of this sentiment.

There appears to be some increase in the attractiveness in financial services consolidation. In 1983, almost half of affluent households preferred to consolidate all their financial holdings at one institution. In 1989, 63 percent were interested in consolidation. And when they consolidate, the majority want one main financial advisor (70 percent).

Only a third claim to need very little financial advice when making major financial decisions. But those that have a relationship with a financial services professional are very loyal. Eight of 10 in 1989 would stay with their financial services professional who established a good working relationship, even if they switched institutions. In 1983, three-fourths of the affluent demonstrated this loyalty.

Financial Goals

Overall, the affluent market continues to strive for the same goals. Most affluent consumers do not want to fall below their current standard of living. A steadily increasing number want to at least double their wealth in the next five years and about a third want to achieve maximum wealth by retirement. Over half want to minimize taxes.

However, there are important differences regarding passing wealth on to the next generation. From 1983 to 1989, the proportion of affluents who feel it is important to use the money they earn for their own benefit and enjoyment has nearly tripled. They are less and less interested in leaving an estate for their heirs.

Trends

We found that the non-trust investment management business is larger than the traditional personal trust business. And, while trust revenues are stable, investment management is growing. This trend is expected to accelerate, as the large number of affluent consumers, the baby boomers in particular, approach retirement, their assets will be at a maximum. They will seek the assistance of professionals to help them invest their assets, whether in the form of mutual funds, annuities, or — professionally managed portfolios which may include bank products such as CDs. Banks must begin positioning themselves now in order to capture a portion of this business. It will not be easy. The current image of banks does not include the role of investment manager, as the following findings will show.

Banks do have an impressive share of the trust business. In 1989, their share amounted to 46.8 percent. But looking at the share of the growing investment management business is only 8 percent. This contrast is magnified when looking at the revenue comparisons. In billions of dollars, trust revenue in 1989 was 10.3 billion, compared to 12.1 billion for investment management. Large investment management portfolios account for 8.7 billion in revenue, where the largest profits can be made.

Use of Trust Services The use of trust services has declined slowly from 35 percent in 1983, to just 26 percent in 1989. The affluent market for trust services has been very stable during the past several years; it has grown by only 300,000 households. There were 3.3 million affluent trust-using households in 1983, and there are now 4.6 million. The size of the trust market grew 39 percent over the past six years, 7 percent during the past four. The total affluent market, however, showed a 140 percent increase. Of all affluent households, 26 percent, or 4.6 million, use an average of 1.6 trust services; trust users have an average per household of $309,000 under management, or a total of $1,420 billion (see Exhibit 5). In order of popularity, affluent households use IRA rollover/KEOGH trusts, followed by testamentary trusts, living trusts, estate services and custody trusts,

EXHIBIT 5

Recent Changes 1987-1989

	1987	1989
Percent of Households Using Trusts	23.4%*	26.0%
Number of Households Using Trusts	4.3 million	4.6 million
Average Trust Assets Per Household	$295,000	$309,000
Total Assets Under Management	$1,300 billion	$1,420 billion
Number of Households Using Trusts From Bank Trust Departments	1.6 million	2.0 million
Number of Households Using Trusts From Any Bank Unit	1.9 million	2.2 million
Number of Households Using Trusts From Non-Banks	2.4 million	2.4 million

*Excluding beneficiaries, 18.7% or 3.42 million affluent households used trusts in 1987.

other types of trusts, and real estate management. The average assets are impressive. Testamentary trusts, with an average balance of $561,000 and total assets of $5,111 billion are the largest, followed by living trusts, with an average of $565,000, or a total in the affluent market of $461 billion. Custody trusts hold $289,000 on average, and the total assets are $163 billion. IRA Rollover/KEOGH have averages of $172,000, with total balances equally $198 billion. Other trusts average $155,000 with total assets of $67 billion. Real estate management was the smallest on the list, with an average balance of $121,000, and a total of $23 billion.

Market Penetration Market penetration of trust providers shows that banks still hold the lead when it comes to providing trust services. Of the 4.6 million affluent households that use trust services, 46.8 percent are customers of bank units, 7.0 percent are customers of "special bank units" and 41.8 percent are customers of bank trust departments. The other providers shares are as follows: brokerage firms — 31.6 percent, certified financial planners — 11.4 percent, investment firms — 16.4 percent, independent professionals — 17.7 percent, and mutual fund companies — 12.6 percent.

Decision Criteria When Choosing Trust Services Informative knowledgeable personnel is the single most important criteria affluent trust users would employ to select a trust provider were they to choose one today. It is also apparent from the pattern of responses that preservation of wealth and risk reduction are the paramount concerns of trust users. The stereotype of trust customers is rather accurate.

We predict neither growth nor decline in the trust industry in the short term, but the long term is less certain.

The majority of trust users indicated in their decision criteria ratings that the following were either extremely or very influential in choosing a trust provider: having an investment performance record, informative and knowledgeable personnel, safety of principal, institution stability, explanation of risks, and that the provider understands their objectives.

Implications for Trust Services All of the small growth in the use of trust services during the past two years has been enjoyed by banks; their share of the business has increased from 44 percent in 1987 to 49 percent in 1989. Bank trust departments have a larger proportion of bank trust business, 90 percent, now than they did in 1987. The trend we noticed in our 1983, 1985 and 1987 affluent market studies of private banking units or other affluent-oriented banks units supplanting or consolidating with traditional trust departments appears to have slowed down or stopped. It may be that most or all of those institutions that are amendable to consolidation have already done so, leaving a core of trust departments with no plans to change.

We predict neither growth nor decline in the trust industry in the short term, but the long term is less certain. Trusts, as a form of investment management, appeal to a small number of conservative wealthy consumers. In the rapidly growing affluent market of the 1980s, the trust industry has been able to attract more new trust customers than have been lost by a small margin. As the growth of the affluent market levels off, we do not believe that trust providers will be able to attract as many new trust customers as they lose.

Investment Management

Demographically, trust users and large investment management (IM) account prospects are quite similar. They are both older, wealthier and more traditional in life style than IM users as a group or the affluent market as a whole. The most important distinctions between the two groups are their attitudes toward banks and bank trust departments. Understandably, trust users have higher opinions of bank trust departments than large IM account prospects (but not that high — only 33 percent rated them as good or excellent sources of investment advice). Large IM account prospects have higher opinions of "special bank" units (how we described private banking units to our survey respondents) than they do of trust departments and these are the units that should target them. However, banks are at a disadvantage in that brokerage firms and mutual fund companies are thought to be much better providers of investment services.

Presently, the market for investment management services totals $2,826 billion, with an average of $248,000 under management (see Exhibit 6). As the chart illustrates, mutual funds dominate both in the number of affluent households that have them and as a proportion of all assets. Following mutual funds, affluent households seek management of their retirement accounts and their mixed and stock port-

EXHIBIT 6

The Market for Investment Management Services

The Use of (Non-Trust) Investment Management Services

64% of 17.8 million affluent households, 11.4 million, use investment management (IM) services; IM user households have an average of $248,000 under management, a total of $2,826 billion

Type	%	Households	Average Assets	Total Assets	% of All Assets
Money Market Mgmt.	38	4.3 million	$75,000	$325 billion	11.5
Stock Portfolio	28	3.2 million	$131,000	$418 billion	14.5
Tax Exempt Bond Port.	15	1.7 million	$130,000	$222 billion	7.9
Bond Portfolio	10	1.1 million	$99,000	$109 billion	3.9
Mutual Funds	74	8.4 million	$71,000	$596 billion	21.1
CD Management	16	1.8 million	$75,000	$137 billion	4.8
IRA	52	5.9 million	$76,000	$450 billion	15.9
KEOGH	11	1.2 million	$92,000	$115 billion	4.1
Mixed Portfolio	22	2.5 million	$181,000	$454 billion	16.1
All Types	100	11.4 million	$248,000	$2,826 billion	100.0

folios. On average, the mixed portfolio has the highest average balance, at $181,000 (see Exhibit 7).

Full-service brokerage firms have been successful in keeping the affluent as customers, although they have not been as successful in attracting younger customers who have recently entered the market. Mutual fund companies have clearly been winners in the contest for affluent customers investment dollars. While banks certainly do have a respectable share of the investment management pie, banks can do better in attracting investment management customers with highly regarded professionals (see Exhibit 8).

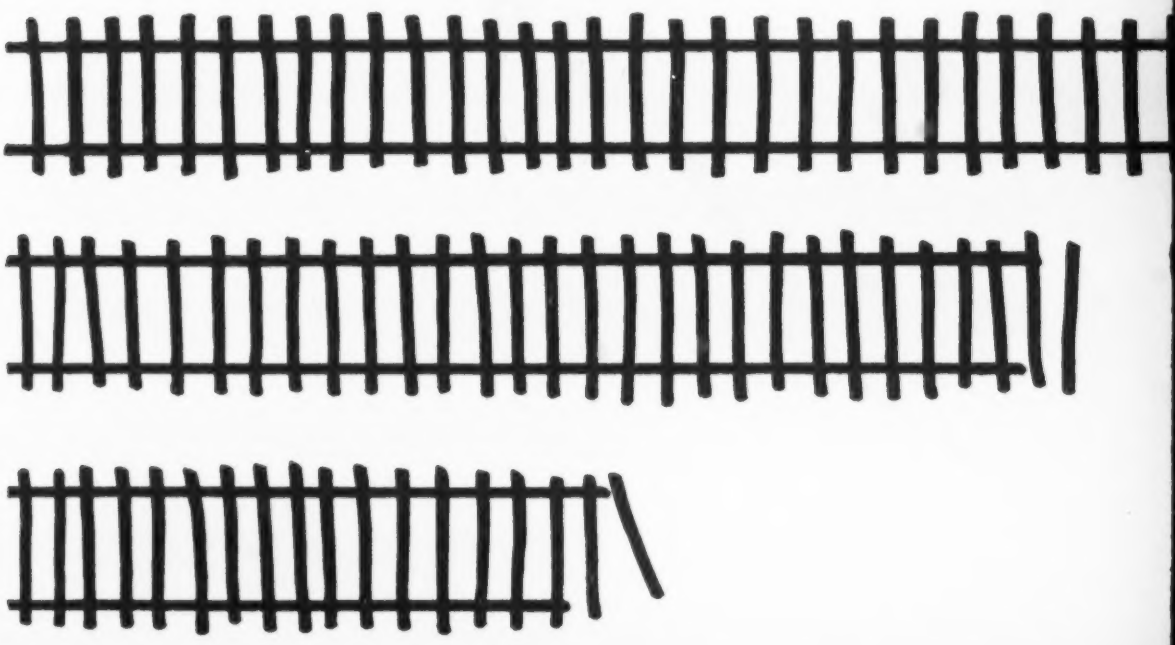
EXHIBIT 7

Types of Investment Management Services Used

Summary

- There are more affluent consumers today, and they tend to be younger and less affluent than their predecessors, but are making more money in terms of salaries and fees.
- The affluent market of today is still much like the affluent market of yesterday in terms of their beliefs and financial goals. However, they seem to becoming more conservative, and attracted to the idea of one primary institution.
- There are more households with two income earners and more households who share in the financial decision-making process. There are also fewer households where one person brings home more than 80 percent of the income.
- They continue to behave similarly to past affluent consumers in their purchasing behavior of "staple" financial products such as depository and investment products, while shifting their use of credit away from traditional credit cards and loans to higher use of second

For Survivorship Life,



mortgages and home equity lines of credit.

- When we look at provider patronage, we find that affluent consumers are using full-service brokerage firms and independent professionals less often, as they have lost some ground in the eyes of the affluent consumer in terms of their ability to provide good service and advice and offer qualified personnel to assist the affluent consumer in making investment decisions. They are turning to mutual fund companies and discount brokerage firms more, and they are becoming more satisfied with the services they offer.
- They use less borrowed money for investments or take calculated risks when investing. More affluent consumers want to use their money for personal enjoyment, less want to leave an estate for their heirs, but they still feel it necessary to provide a good education for their children.
- The affluent trust market has been characterized by stability as has the position of banks as trust providers. This is not going to change quickly. Investment management, on the other hand, is growing and is dominated by investment companies. □

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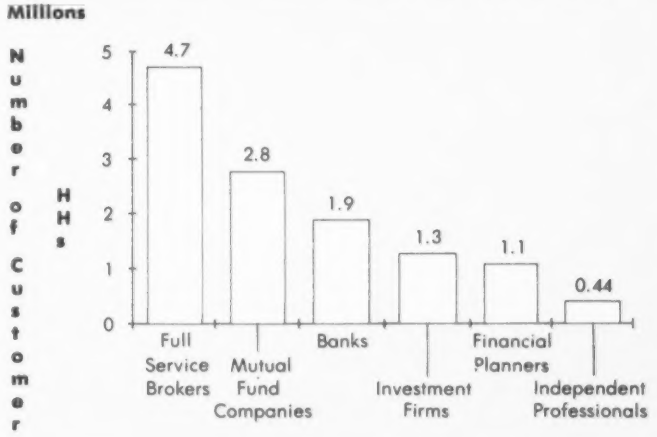
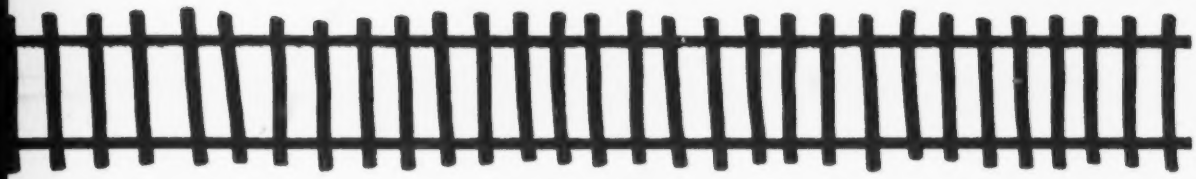
EXHIBIT 8

Investment Management Providers' Market Penetration



go with a track record.



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